

Message Text

CONFIDENTIAL

PAGE 01 LONDON 09730 01 OF 02 241756Z

51

ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 TRSE-00 SP-02 L-03 INR-07 SS-15

NSC-05 SSO-00 NSCE-00 INRE-00 EURE-00 /052 W

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O 241748Z JUN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 2293

USMISSION OECD PARIS IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 09730

DEPARTMENT PASS TREASURY, USMISSION OECD PARIS PASS FOR
ASSISTANT SECRETARY FRED HICKMAN

E.O. 11652:YGDS-1

TAGS: EFIN, UK

SUBJECT: US/UK DOUBLE TAXATION TREATY

1. DURING DISCUSSION TODAY BETWEEN THE AMBASSADOR AND
CHANCELLOR OF THE EXCHEQUER HEALEY (OTHER TOPICS REPORTED
SEPTEL), HEALEY RAISED THE ISSUE OF THE US/UK DOUBLE
TAXATION TREATY NEGOTIATIONS. HEALEY STATED THAT HE HAD
BRIEFLY DISCUSSED THE MATTER WITH SECRETARY OF TREASURY
SIMON WHILE IN PARIS FOR IMF MEETINGS AND WAS CONCERNED
THAT IT NOW APPEARED THAT THE US WOULD ISSUE A TERMINA-
TION NOTICE BEFORE THE END OF JUNE.

2. HEALEY REITERATED POINTS WHICH UK PUT FORTH DURING THE
ACTUAL NEGOTIATIONS BOTH IN LONDON AND WASHINGTON EARLIER
THIS YEAR AND BY UK AMBASSADOR RAMSBOTHAM IN WASHINGTON.
BASICALLY THESE POINTS AS OUTLINED BY HEALEY ARE:

- US TAX TREATY WITH FRANCE IS MORE FAVORABLE THAN
CURRENT TREATMENT BEING OFFERED TO BRITISH; UK
CANNOT ACCEPT CONDITIONS LESS FAVORABLE THAN THOSE
ACCORDED TO FRANCE,
- UK MUST HAVE TIME TO CONSULT WITH EEC COLLEAGUES,
- REQUEST US POSTPONE ISSUING TERMINATION NOTIFICA-
TION FOR UK CANNOT NEGOTIATE UNDER DURESS.

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PAGE 02 LONDON 09730 01 OF 02 241756Z

3. AMBASSADOR AND EMBASSY ECONOMICS MINISTER REITERATED THE POINT THAT THE NOTICE WOULD BE A TECHNICAL NOTIFICATION WHILE NEGOTIATIONS CONTINUE. HEALEY STRESSED THAT IF A NOTICE IS IN FACT ISSUED THAT THIS BE MADE QUITE CLEAR.

4. A COPY OF A LETTER DATED 23 JUNE 1975 FROM CHANCELLOR OF THE EXCHEQUER DENIS HEALEY TO SECRETARY OF THE TREASURY WILLIAM SIMON WAS GIVEN TO AMBASSADOR RICHARDSON. THE TEXT OF THE LETTER FOLLOWS:

"I MENTIONED TO YOU A FEW DAYS AGO IN PARIS MY CONCERN ABOUT THE POSITION WE SEEMED TO BE REACHING ON THE US/UK DOUBLE TAXATION AGREEMENT.

"I HAVE NOW HAD AN OPPORTUNITY TO LOOK IN MORE DETAIL AT THE ISSUE. AND I FEEL THAT I MUST LET YOU KNOW AT ONCE HOW SERIOUSLY I VIEW THE POSITION DESCRIBED TO ME BY MY OFFICIALS. I AM VERY ANXIOUS THAT WE SHOULD REACH A SATISFACTORY SETTLEMENT ON THE OUTSTANDING ISSUES; BUT I AM BOUND TO TELL YOU THAT IT WOULD BE VERY HARD INDEED FOR MY GOVERNMENT TO ACCEPT THE TERMS ON WHICH YOUR NEGOTIATORS HAVE BEEN INSISTING, AND WHICH WOULD MEAN OUR ACCEPTING SUBSTANTIALLY WORSE TERMS THAN THE FRENCH OBTAINED UNDER THEIR AGREEMENT WITH THE UNITED STATES CONCLUDED IN 1967, WITHIN THE SPECIFIED DEADLINE OF JUNE 30TH.

"I DO NOT AT ALL WISH TO CRITICISE THE WAY THE NEGOTIATIONS HAVE BEEN CONDUCTED HITHERTO. BUT I AM PLACED

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PAGE 01 LONDON 09730 02 OF 02 241754Z

51

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 09730

IN CONSIDERABLE DIFFICULTY BY THE FACT THAT THERE WAS NO US RESPONSE TO THE LETTER LORD BARBER SENT TO SECRETARY SCHULTZ IN FEBRUARY 1974 UNTIL APRIL THIS YEAR, SO THAT THE PRESENT GOVERNMENT HAD NO OPPORTUNITY EVEN TO BEGIN TO STUDY THE ISSUES RAISED BY THE US STANCE UNTIL A VERY FEW WEEKS AGO. NOW I FIND MYSELF UNDER PRESSURE TO TAKE AN IMMEDIATE STEP WHICH COULD HAVE SUBSTANTIAL IMPLICATIONS FOR FISCAL RELATIONS BETWEEN THIS COUNTRY AND ITS EUROPEAN COMMUNITY PARTNERS, AND BETWEEN THEM AND THE US - WITHOUT THERE BEING ANY TIME FOR EVEN THE MOST HASTY CONSULTATION WITH THEM.

"IN SENDING YOU THIS MESSAGE, I DO NOT WISH TO PREJUDICE THE EVENTUAL OUTCOME OF THE NEGOTIATIONS IN ANY WAY. BUT I FIND IT HARD TO SEE THAT ANY ESSENTIAL US INTERESTS WOULD BE PREJUDICED IF YOU WERE TO POSTPONE GIVING IMMEDIATE NOTICE OF TERMINATION. ANY REVISED AGREEMENT CONCLUDED IN THE REASONABLY NEAR FUTURE COULD, OF COURSE, BE EXPECTED TO HAVE RETROSPECTIVE EFFECT FROM APRIL 1973, PROVIDED THAT NO NOTICE OF TERMINATION HAS BEEN GIVEN. I CAN ASSURE YOU THAT THE STRENGTH OF US VIEWS IS NOW WELL UNDERSTOOD BY THOSE OF US CONCERNED HERE. BUT I SHOULD NOT CONCEAL FROM YOU THE POSSIBLE DAMAGE TO THE RELATIONSHIP BETWEEN OUR TWO GOVERNMENTS IF SUCH HASTY ACTION IS TAKEN BY THE US ADMINISTRATION, WITH ITS INEVITABLE EFFECT ON BUSINESS CONFIDENCE.

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PAGE 02 LONDON 09730 02 OF 02 241754Z

"AGAINST THIS BACKGROUND, I VERY MUCH HOPE YOU WILL BE ABLE TO DEFER GIVING NOTICE OF TERMINATION SO THAT THE NEGOTIATIONS CAN CONTINUE UNCLOUDED BY THE THREAT THAT NOTICE WOULD REPRESENT."

RICHARDSON

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Disposition Event:
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